

Germany

Type of Market: Large/Challenging

Germany has a sizable healthcare market, with more than \$1 billion accounted for by Health IT. A rapidly aging society, with a significant share of chronic disease, national use of eHealth Cards, and high Internet and mobile phone penetration, generally make Germany a strong potential Health IT market, particularly for telehealth and mobile health. However, independent of issues common elsewhere (such as interoperability), there are some important headwinds for companies to consider if they are interested in entering the market. These include Germany's strict regulations regarding data management, security and use of Health IT software; lack of Health IT legislation; and related fallout from the U.S. surveillance scandal, as well as the presence of major international health and IT companies in Germany. A well-crafted market entry plan, and partnering with established international or local companies, will increase the likelihood of success for U.S. Health IT companies seeking to develop or expand their presence in Germany.

Overall
Rank

4

Germany rated highly in the Report for several reasons, most notably one of the world's highest GDPs, above average healthcare spending per capita, a large healthcare market (more than \$300 billion in 2012)³⁹ and an aging population (second only to Japan among the countries studied). As a result, the German market is sizable, and offers many appealing features for increased overall use of Health IT, and for telehealth and mobile health applications in particular.

Challenges in the Market

However, there are also significant barriers and other considerations that U.S. companies need to keep in mind when entering or expanding their presence in the country. Companies should give these challenges careful consideration and seek consultation with experts familiar with the sector and country, when making decisions about whether and how to enter the German Health IT market. These challenges include:

- Roughly 90 percent of Germany's population (70 million) has public health insurance, normally using an eHealth card (eHC). However, these cards currently contain no health information (only a photo, name and birth details, and an insurance ID number) due to strict data security laws. Physician associations and insurance funds have accused e-connecting new e-Health

consideration in Germany is expected to address how the health information can be stored and accessed on the cards while addressing security concerns.

- Most of the remaining 9 million Germans possess private health insurance; collectively, more than 130 insurance companies exist in Germany.⁴⁰ Therefore, there will be limited demand for U.S. health insurance companies to enter the German market.
- While a telematics infrastructure has been piloted, it is incompletely implemented and standards, requirements, and specifications have not yet been finalized for all possible use cases.
- The current Health Law does not permit all Health IT applications and therefore it is difficult to develop business cases for each application.
- Hospitals generally have underinvested in IT (1.5-2 percent of total spending)⁴¹ in comparison to other European countries. According to a 2014 report prepared by RWI and Accenture, German hospitals have an investment backlog of roughly 15 billion euros, partly due to declining patient traffic at many facilities and rising costs. The report estimated that 13 percent of German hospitals could go out of business by 2020 if sult, mobile health ' be well suited to

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alleviate this lack of hospital investment expenditures.

- Germany has no national organization with authority to set Health IT standards; as a result, national interoperability does not exist between vendor solutions, limiting the scalability of certain Health IT products and services.
- Health IT software is currently regulated as a medical device through the Medical Products Law, requiring certification when the software influences clinical decision making.
- Germany has strict data privacy and security laws.⁴³
- Approximately 200 Health IT companies have established operations in Germany,⁴⁴ with just over half of them targeting clinical or hospital practices. Germany has a well-established Health IT industry trade association, the German Association of Health IT Vendors (Bvitg). Bvitg has more than 50 members, including German subsidiaries of U.S.-based firms such as GE, Cisco, Cerner and 3M; and German-based companies such as Agfa, Siemens, Deutsche Telekom, and SAP.⁴⁵ As a result, a well-established Health IT ecosystem already exists in Germany, with a mixture of large and small companies, but one that already has significant competition for new companies looking to enter the German Health IT market.

Opportunities for U.S. Companies

In early 2015, Germany introduced a draft eHealth Law ("Law"), containing a number of provisions to encourage Health IT and telehealth use, while incorporating financial penalties if the Law's requirements are not satisfied. The draft Law includes payments for creation and acceptance of different medical reports, which will be temporarily channeled through the Federal Office of Information Security until the telematics infrastructure has been fully deployed.

In addition, the draft Law includes provisions for technical agreement on several telehealth applications and development of data services, along with financial penalties for medical provider non-use of the system and for government agencies failing to meet statutory deadlines; many of these provisions take effect in 2016.

The draft eHealth Law will hopefully clarify some of the remaining issues where consensus has not yet been reached, including who will cover costs for securing the Health IT information and building the infrastructure for the in-patient and out-patient environments; and the process for achieving Health IT system interoperability.

The German Secretaries for Health and Economics (from different political parties) have primary responsibility for taking the Law to other ministries for review and comments. After that process concludes, the draft Law will be edited and discussed within each party to make sure that, when the Law is presented to Parliament, it will receive a majority vote (this should take place in the second half of 2015). If the final Law passes Parliament, it is expected to take effect January 1, 2016.

Demographics and population health show favorable trends for more widespread use of Health IT, especially mobile health and telehealth. By 2035, 31 percent of population (24 million people) will be age 65 or older and the country ranks second in comparative population age in this report's analysis, just behind Japan. In addition, chronic and long-term diseases account for roughly 80 percent of German healthcare spending.⁴⁶

Germans are also familiar with and frequent users of modern technologies, which portend well for Health IT and associated subsectors. About 77 percent of the population (63 million) uses the Internet frequently, one of the highest percentages in Europe. Germany also has strong sales of smartphones (about 26 million sold in 2013, up 23 percent compared to 2012).⁴⁷

There is a ready market for modern Health IT solutions and systems, with approximately 154,000 general practitioners and nearly twice as many medical specialists (296,000).⁴⁸ Many hospitals and physicians use Health IT to store health information in digital form. However, the information is not readily sharable and can only be retrieved by the hospital or patient upon request.

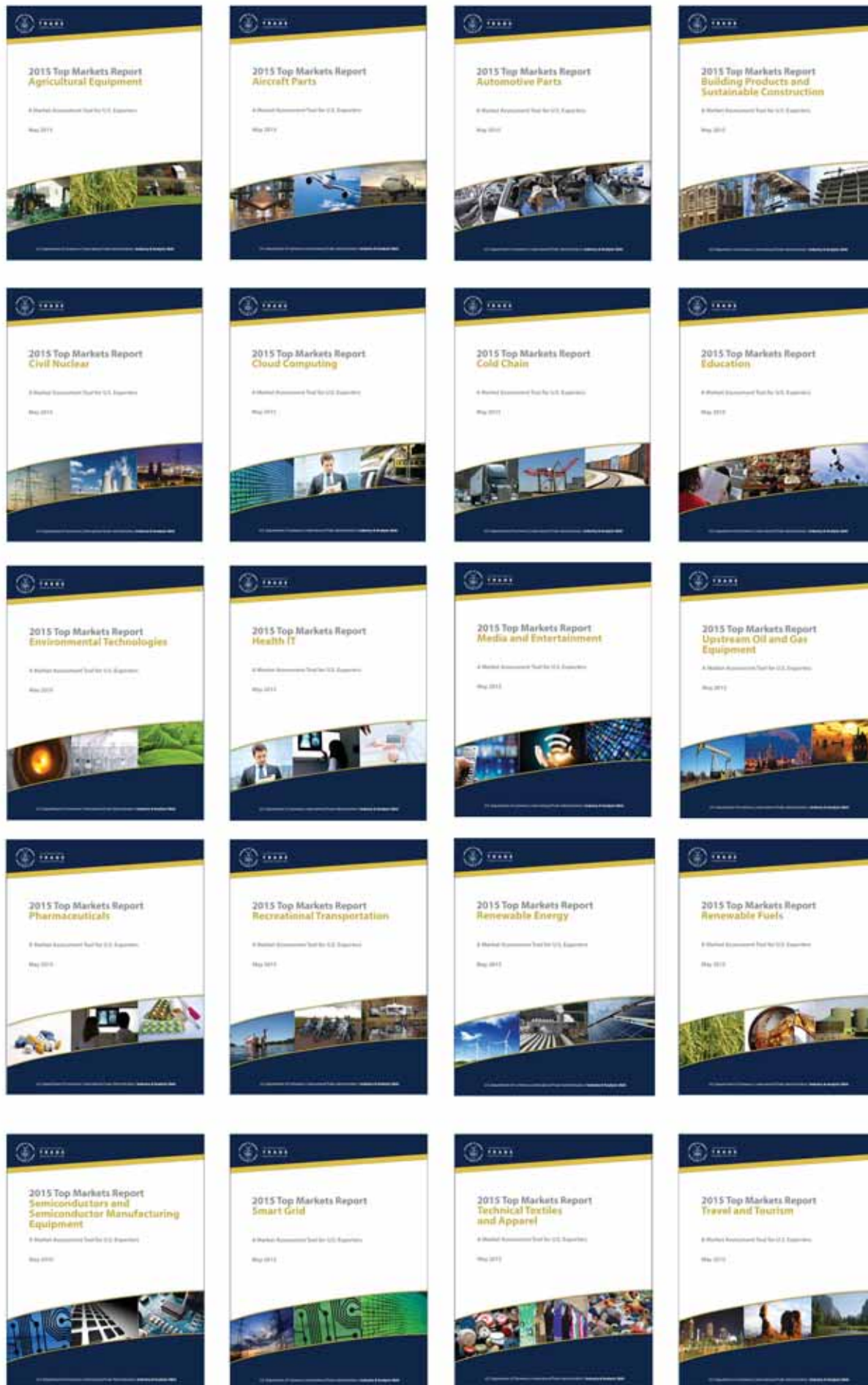
Surveys indicate patients and physicians are interested in a range of improvements to the medical system, including electronic storage of emergency data; electronic letters of referral; and EHRs, so commercial prospects for those areas are promising. Some of these services are already being used in private clinics and rural areas with a low concentration of physicians.

Germany has also made strides in establishing a mobile health and telehealth market, primarily through pilot projects. For instance, a telematics infrastructure pilot project is expected to launch in 2015, including all 131 public sickness funds (the statutory health insurance system that covers 90 percent of the German population).

In addition, an on-line portal already exists for telemedicine projects (Deutsches Telemedizinportal, or “Portal for the German Telemedicine Center”) and about 240 telemedicine projects exist in approximately

100 communities nationwide.⁴⁹ The German mobile health market is expected to double from approximately 1.5 billion euros in 2014 to 3 billion euros by 2017.⁵⁰

Finally, Germany hosts one of the largest annual European Health IT trade shows (conhIT), first held in 2008, which serves as a ready avenue for new companies to enter the market. The show takes place in Berlin, normally in April. The most recent show took place April 14-16, 2015, with nearly 7,500 visitors and more than 380 participating companies.⁵¹



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